



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

FEB - 2 2016

Neil Reiff, Esq.
Stephen Hershkowitz, Esq.
Sandler, Reiff, Rosenstein, Lamb & Birkenstock, P.C.
1025 Vermont Avenue, NW, Suite 300
Washington, D.C. 20005

RE: MUR 6967
Kentucky State Democratic Central
Executive Committee and
M. Melinda Karns in her
official capacity as treasurer

Dear Messrs. Reiff and Hershkowitz:

On January 27, 2016, the Federal Election Commission accepted the signed conciliation agreement submitted on your clients' behalf in settlement of a violation of 11 C.F.R. § 106.7(d)(1). Accordingly, the file has been closed in this matter.

Documents related to the case will be placed on the public record within 30 days. *See* Statement of Policy Regarding Disclosure of Closed Enforcement and Related Files, 68 Fed. Reg. 70,426 (Dec. 18, 2003) and Statement of Policy Regarding Placing First General Counsel's Reports on the Public Record, 74 Fed. Reg. 66,132 (Dec. 14, 2009). Information derived in connection with any conciliation attempt will not become public without the written consent of the respondent and the Commission. *See* 52 U.S.C. § 30109(a)(4)(B).

Enclosed you will find a copy of the fully executed conciliation agreement for your files. Please note that the civil penalty is due within 30 days of the conciliation agreement's effective date. If you have any questions, please contact me at (202) 694-1650.

Sincerely,

A handwritten signature in black ink that reads "Delbert K. Rigsby". The signature is written in a cursive, flowing style.

Delbert K. Rigsby
Attorney

Enclosure
Conciliation Agreement

BEFORE THE FEDERAL ELECTION COMMISSION

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In the matter of

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MUR 6967

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Kentucky State Democratic Central
Executive Committee and M. Melinda
Karns in her official capacity as
treasurer

CONCILIATION AGREEMENT

This matter was initiated pursuant to information ascertained by the Federal Election Commission (the "Commission") in the normal course of carrying out its supervisory responsibilities. Based on a Commission audit of the Kentucky State Democratic Central Executive Committee for the time period of 2011-2012, the Commission found reason to believe that the Kentucky State Democratic Central Executive Committee and M. Melinda Karns in her official capacity as treasurer ("Respondents" or "Committee") violated 11 C.F.R. § 106.7(d)(1).

NOW, THEREFORE, the Commission and the Respondents, having participated in informal methods of conciliation, prior to a finding of probable cause to believe, do hereby agree as follows:

I. The Commission has jurisdiction over the Respondents and the subject matter of this proceeding, and this agreement has the effect of an agreement entered pursuant to 52 U.S.C. § 30109(a)(4)(A)(i).

II. Respondents have had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. Respondents enter voluntarily into this agreement with the Commission.

IV. The pertinent facts in this matter are as follows:

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1. The Committee is a state party committee of the Democratic Party. M. Melinda Karns is the treasurer of the Committee. Ms. Karns was not the treasurer at the time of the activity described herein, and was not a participant in such activity. She is named in this matter only in her official capacity as treasurer pursuant to the Commission's policy statement on treasurer liability. *See Statement of Policy Regarding Treasurers Subject to Enforcement Proceedings*, 70 Fed. Reg. at 6 (Jan. 3, 2005).

2. Commission regulations provide that salaries, wages, and fringe benefits "[paid] to State, district, or local party committee employees who spend 25 percent or less of their compensated time in a given month on Federal election activity or on activity in connection with a Federal election" may be allocated as administrative costs; *i.e.*, may be paid with a combination of funds from the committee's federal and non-federal accounts. 11 C.F.R. §§ 106.7(c)(1), (d)(1)(i), and (d)(2). Commission regulations also provide that when allocating salary, wage and fringe benefit payments, political party committees are required to "keep a monthly log of the percentage of time each employee spends in connection with a federal election." 11 C.F.R. § 106.7(d)(1).

3. As set forth in the Final Audit Report, the Commission found that the Committee failed to maintain monthly payroll logs for payments totaling \$820,979 in 2011 and 2012 that it disclosed as having been paid with an allocation of federal and non-federal funds. During the audit, the Committee amended its reports to disclose that \$503,149 of the \$820,979 was not allocable between federal and non-federal funds, but paid 100 percent with federal funds.

4. The Committee contends that it cooperated with the Commission during the audit process and immediately responded to its concerns. The Commission presented a potential finding regarding the payroll logs to the Committee in July 2013 during the audit process, and

the Committee amended its disclosure reports in August 2013 concerning the \$503,149 that was paid 100 percent with federal funds. The Committee contends that by the end of November 2014, it had implemented procedures to track and document those employees' time who would work 25% or less of their time in connection with federal elections and federal election activity in the future.

V. Respondents violated 11 C.F.R. § 106.7(d)(1) by failing to maintain monthly payroll logs on \$820,979 to document the percentage of time each employee spent in connection with a federal election.

VI. 1. Respondents will pay a civil penalty to the Commission in the amount of Four Thousand Two Hundred Dollars (\$4,200), pursuant to 52 U.S.C. § 30109(a)(5)(A).

2. Respondents will cease and desist from committing a violation of 11 C.F.R. § 106.7(d)(1).

VII. The Commission, on request of anyone filing a complaint under 52 U.S.C. § 30109(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this agreement. If the Commission believes that this agreement or any requirement thereof has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

VIII. This agreement shall become effective as of the date that all parties hereto have executed the same and the Commission has approved the entire agreement.

IX. Respondents shall have no more than 30 days from the date this agreement becomes effective to comply with and implement the requirements contained in this agreement and to so notify the Commission.

X. This Conciliation Agreement constitutes the entire agreement between the parties on the matters raised herein, and no other statement, promise, or agreement, either written or oral, made by either party or by agents of either party, that is not contained within this written agreement shall be enforceable.

FOR THE COMMISSION:

BY: Kathleen Guith
Kathleen Guith
Acting Associate General Counsel
for Enforcement

2-1-16
Date

FOR THE RESPONDENTS:

Neil Riff
(Name) Neil Riff
(Position) Counsel

1/6/16
Date